

**Supporting Statement for the  
Annual Report of Holding Companies, Annual Report of Foreign Banking Organizations,  
Report of Changes in Organizational Structure, and  
Supplement to the Report of Changes in Organizational Structure  
(FR Y-6, FR Y-7, FR Y-10, and FR Y-10E; OMB No. 7100-0297)**

**Summary**

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, with revision, the mandatory Structure Reporting Requirements for Domestic and Foreign Banking Organizations (OMB No. 7100-0297). This family of reports is composed of the following four reports:

- Annual Report of Holding Companies (FR Y-6),
- Annual Report of Foreign Banking Organizations (FR Y-7),
- Report of Changes in Organizational Structure (FR Y-10), and
- Supplement to the Report of Changes in Organizational Structure (FR Y-10E).

The proposal would revise the FR Y-7 to collect information from FBOs on their compliance with U.S. risk committee and home country stress test requirements under the Board's Regulation YY and section 165 of the Dodd-Frank Act,<sup>1</sup> and extend the entire information collection for three years.

The FR Y-6 is an annual information collection submitted by top-tier holding companies (HCs) and non-qualifying foreign banking organizations (FBOs). It collects financial data, an organization chart, verification of domestic branch data, and information about shareholders. The Federal Reserve uses the data to monitor holding company operations and determine holding company compliance with the provisions of the Bank Holding Company Act (BHC Act), Regulation Y (12 C.F.R. § 225), the Home Owners' Loan Act (HOLA) and Regulation LL (12 C.F.R. § 238).

The FR Y-7 is an annual information collection submitted by qualifying FBOs to update their financial and organizational information with the Federal Reserve. The FR Y-7 collects financial, organizational, and managerial information. The Federal Reserve uses information to assess an FBO's ability to be a continuing source of strength to its U.S. operations and to determine compliance with U.S. laws and regulations.

The FR Y-10 is an event-generated information collection submitted by FBOs; top-tier HCs; security holding companies as authorized under Section 618 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (12 U.S.C. § 1850a(c)(1)); state member banks unaffiliated with a bank holding company (BHC); Edge and agreement corporations that are not controlled by a member bank, a domestic BHC, or an FBO; and nationally chartered banks that are not controlled by a BHC (with regard to their foreign investments only), to capture changes in their regulated investments and activities. The Federal Reserve uses the data to monitor

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<sup>1</sup> 79 FR 17239 (March 27, 2014); 12 U.S.C. 5365.

structure information on subsidiaries and regulated investments of these entities engaged in banking and nonbanking activities. The FR Y-10E is a free-form supplement that may be used to collect additional structural information deemed to be critical and needed in an expedited manner.

The proposed reporting would be effective with fiscal year ends beginning September 30, 2016. The current annual reporting burden for the structure reporting forms is estimated to be 70,363 hours. The proposed revisions would result in a net increase in burden of 122 hours.

## **Background and Justification**

### **FR Y-6**

Section 5(c) of the BHC Act authorizes the Board to require BHCs to keep the Board informed, in part, of their financial condition, risk management systems, and transactions with bank subsidiaries. Annual reports have been collected in some form since the implementation of the Bank Holding Company Act of 1956.

Data from the FR Y-6 enable the Federal Reserve to monitor holding company operations, ensure that operations are conducted in a safe and sound manner, and determine holding company compliance with the provisions of the BHC Act and Regulation Y. The data collected about shareholders, directors, officers and others provide valuable information, which is used for supervisory purposes in various ways. For example, data on outside business interests of directors and officers aid in identifying chain banking organizations by indicating when an individual owns 25 percent or more of each of two or more banking organizations. In addition, information on the principal owners and directors is of supervisory importance since these individuals have a significant effect on the policies and condition of banking organizations. Furthermore, information on the outside business interests of insiders can be useful in uncovering situations that involve a conflict of interest or preferential treatment in the granting of credit. Finally, information on ownership helps the Federal Reserve monitor compliance with the Change in Bank Control Act.

The timely collection of these data in a supervisory report enhances the Federal Reserve's efforts to monitor BHC activities. In 2012, the Federal Reserve expanded the FR Y-6 reporting panel to include savings and loan holding companies (SLHCs) and clarified the reporting instructions.

The FR Y-6 data are available to other federal banking agencies for use in their supervision of national and state nonmember banks. In addition, the FR Y-6 serves as a source of information on BHCs for the public and for responses to information requests from Congress. This information is not available from other sources.

### **FR Y-7**

The Federal Reserve implemented the FR Y-7 in January 1972 and required only foreign banks that controlled U.S. subsidiary banks to file. With the enactment of the International

Banking Act of 1978 (IBA), the Congress established a framework for federal regulation of foreign banks operating in U.S. financial markets. Section 7 of the IBA authorizes the Federal Reserve to examine U.S. branches, agencies, and subsidiary commercial lending companies of foreign banks and to assess the condition of the multi-state banking operations of foreign banks. Section 8(a) of the IBA states that foreign banks that engage in banking in the United States through a U.S. branch, agency or subsidiary commercial lending company and companies that control such foreign banks are subject to the provisions of the BHC Act, as amended.

Given these statutory responsibilities, the Federal Reserve issued two policy statements<sup>2</sup> on the supervision of FBOs that control a U.S. subsidiary bank. They stated that the Federal Reserve needed full financial information on foreign parent organizations to assess the foreign parent's ability to continue to serve as a source of strength for their U.S. operations. In 1980, as part of its implementation of those policy statements, the Federal Reserve issued a revised FR Y-7 reporting form setting forth annual reporting requirements for FBOs engaged in banking in the United States.

The Federal Reserve System uses information collected on this reporting form to assess an FBO's ability to be a continuing source of strength to its U.S. operations, to determine eligibility as a Qualifying Foreign Banking Organization, and to determine compliance with U.S. laws and regulations. This information is not available from other sources.

#### **FR Y-10**

The Changes in Investments and Activities of Top-Tier Financial Holding Companies, Bank Holding Companies, and State Member Banks (FR Y-6A; OMB No. 7100-0124) was created in 1985 to capture structure information for new BHCs or BHCs that had undergone a change in their structure. In September 2001, the Federal Reserve replaced the FR Y-6A with the FR Y-10 to reduce the burden and costs associated with submitting this information. This revision made the submission of structure information by domestic and foreign banking organizations more similar, increased the thresholds for investments to be included, reduced the types of investments to be included, streamlined the method for indicating the percentage ownership of nonbanking investments, and simplified the submission of legal authority and activity codes. Finally, the submission of certain information on the structure of foreign investments was moved from the Report of Changes in Foreign Investments (Made Pursuant to Regulation K) (FR 2064; OMB No. 7100-0109) to the FR Y-10, and the FR 2064 was changed to a recordkeeping requirement.

In 2012, the Federal Reserve expanded the FR Y-10 reporting panel to include SLHCs, added a Savings and Loan Schedule, and revised the 4(k) Schedule.

The Federal Reserve System uses this information to monitor the activities of reportable companies to ensure that the activities are conducted in a safe and sound manner. The FR Y-10 data provide the Federal Reserve with information integral to monitoring compliance with the BHC Act, the GLB Act, the Federal Reserve Act (FRA), HOLA, Regulation Y, Regulation K, and Regulation LL. Additionally, the FR Y-10 is the only source of information collected by a

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<sup>2</sup> These policy statements were dated February 23, 1979, and July 20, 1979.

banking agency that captures detailed information on the structure of the banking organizations described in the Respondent Panel section below. This information is not available from other sources.

### **FR Y-10E**

The Federal Reserve implemented the FR Y-10E, effective June 30, 2007, to create a free-form supplement to the FR Y-10 so that, should there be an immediate need for critical organizational structural information, the necessary data could be collected on this supplement at the earliest practicable date. This supplement may only be used to meet new legislative requirements, answer Congressional inquiries, or respond to critical market events that could not be addressed in a timely manner if the Federal Reserve were required to seek approval through the reports clearance process.

### **Description of Information Collection**

The annual FR Y-6 is submitted by top-tier HCs and non-qualifying FBOs and contains the requirement that HCs not registered with the U.S. Securities and Exchange Commission (SEC) submit, if one is created, their annual report to shareholders. The FR Y-6 also requires the submission of an organizational chart, verification of domestic branch data, and collection of information on the identity, percentage ownership, and business interests of principal shareholders, directors, and executive officers.

The annual FR Y-7 is submitted by qualifying FBOs that are directly or indirectly engaged in the business of banking in the United States as of the end of the respondent's fiscal year.<sup>3</sup> The FR Y-7 collects financial, organizational, and managerial information.

The FR Y-10 comprises eight schedules for collecting data on organizational structural changes for the reportable companies listed in the respondent panel section. The Banking Schedule collects information on a banking organization and its directly or indirectly held interests in a BHC, bank organized under U.S. law, or FBO. The Savings and Loan Schedule collects information about a reporter that is an SLHC, and about any reporter's (including a BHC's) directly or indirectly held interest in all SLHCs and savings associations. The Nonbanking Schedule collects information about a banking organization's directly or indirectly held interests in a nonbanking company. The Merger Schedule collects information on the survivors and nonsurvivors of mergers involving any reportable company. The 4(k) Schedule collects post-transaction notices for activities, formations, and acquisitions of companies and for large merchant banking and insurance company investments authorized under Section 4(k) of the BHC Act. The Domestic Branch Schedule collects structure information on domestic branches and offices of depository institutions held directly or indirectly by a top-tier BHC and domestic branches of state member banks or banking Edge or agreement corporations that are not affiliated with a BHC. The Foreign Branches of U.S. Banking Organizations Schedule collects

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<sup>3</sup> Under the International Banking Act of 1978, banks organized under the laws of Puerto Rico and other American possessions are generally not required to file the FR Y-7. Such banks are insured by the FDIC and examined by U.S. supervisory agencies. Also, FBOs that are BHCs or that have a U.S. BHC subsidiary are required to report on the FR Y-6 all interests held through the top-tier U.S. BHC.

structure information on foreign branches of U.S. banking organizations. The Branch, Agency, and Representative Office (BARO) of FBOs Schedule collects structure information on U.S. branches, agencies, representative offices, and non-U.S. managed branches of FBOs.

The FR Y-10E supplement collects additional structural information deemed to be critical and needed in an expedited manner. This supplement may only be used to meet new legislative requirements, answer Congressional inquiries, or respond to critical market events that could not be addressed in a timely manner if the Federal Reserve were required to seek approval through the reports clearance process. Subsequent to the implementation of this supplement, if the data were needed on a permanent basis, the Federal Reserve would complete the report clearance process, including a request for public comment.

### **Proposed Revisions to the FR Y-7**

The Board proposes to add line items to the FR Y-7 to collect information from an FBO on its compliance with applicable U.S. risk committee and home country stress test requirements under the Board's Regulation YY and section 165 of the Dodd-Frank Act.<sup>4</sup>

Section 165 of the Dodd-Frank Act directs the Board to establish prudential standards for BHCs and FBOs with total consolidated assets of \$50 billion or more and nonbank financial companies that the Financial Stability Oversight Council has designated for supervision by the Board. In addition, the statute directs the Board to issue regulations applying certain standards to BHCs and FBOs with total consolidated assets of \$10 billion or more. In particular, the Board is directed to require publicly traded BHCs and FBOs with total consolidated assets of \$10 billion or more to establish risk committees.<sup>5</sup> In addition, the Board is required to issue regulations imposing company-run stress test requirements on BHCs, FBOs, state member banks, and savings and loan holding companies with total consolidated assets of more than \$10 billion.<sup>6</sup>

In February of 2014, the Board adopted enhanced prudential standards for FBOs, including risk committee and stress testing requirements for FBOs with total consolidated assets of more than \$10 billion. These standards are contained in the Board's Regulation YY, which is organized into subparts that apply to FBOs depending on their asset size. The risk committee and stress testing requirements are located in the following subparts:

- **Subpart L** establishes stress testing requirements for FBOs with total consolidated assets of more than \$10 billion;
- **Subpart M** establishes risk committee requirements for publicly traded FBOs with total consolidated assets between \$10-\$50 billion;
- **Subpart N** establishes enhanced prudential standards (including risk committee and stress testing requirements) for FBOs with total consolidated assets of \$50 billion or more but combined U.S. assets of less than \$50 billion; and

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<sup>4</sup> 79 FR 17239 (March 27, 2014).

<sup>5</sup> See 12 U.S.C. 5365(h).

<sup>6</sup> 12 U.S.C. 5365(i).

- **Subpart O** establishes enhanced prudential standards (including risk committee and stress testing requirements) for FBOs with total consolidated assets of \$50 billion or more and combined U.S. assets of \$50 billion or more.

With regards to risk committee requirements, an FBO subject to subpart M or N is required to certify that it has a risk committee that oversees the risk management practices of the combined U.S. operations of the company and has at least one member with appropriate risk expertise.<sup>7</sup> This certification must be filed on an annual basis with the Board concurrently with the FR Y-7. FBOs subject to subpart O are subject to more prescriptive U.S. risk committee requirements and must employ a U.S. chief risk officer in the United States.<sup>8</sup>

With regards to stress testing, an FBO subject to subpart L, N, or O must be subject to a consolidated capital stress testing regime administered by the FBO's home-country supervisor, meet the home-country supervisor's minimum standards, and in some cases provide information to the Board about the results of home country stress testing. If these conditions are not met, the U.S. branches and agencies of the foreign bank are subject to an asset maintenance requirement, and generally must conduct an annual stress test of its U.S. subsidiaries. An FBO subject to subpart O must also conduct stress testing at its U.S. intermediate holding company.

The proposed revisions to the FR Y-7 would implement the U.S. risk committee certification requirement and provide FBOs with a standardized way to indicate compliance with the home country stress testing requirements (and thus, avoid being subject to additional requirements in the United States). Specifically, the proposal would require an FBO to certify that it meets, does not meet, or is not subject to the relevant U.S. risk committee certification requirement and indicate that it meets, does not meet, or is not subject to the relevant home-country stress testing requirement. The instructions to the line item would describe the requirements and the scope of applicability so that an FBO would be able to identify and confirm compliance with the applicable requirements.

### **Respondent Panel**

The FR Y-6 panel comprises top-tier HCs and nonqualifying FBOs. The FR Y-7 panel comprises all qualifying FBOs. The FR Y-10 and FR Y-10E panel comprises FBOs; top-tier HCs; securities HCs; state member banks that are not controlled by a HC; Edge and agreement corporations that are not controlled by a member bank, a domestic HC, or a FBO; and nationally chartered banks that are not controlled by a HC (with regard to their foreign investments only).

### **Time Schedule for Information Collection and Publication**

The FR Y-6 is submitted annually, no later than 90 calendar days after the end of the HC's or nonqualifying FBO's fiscal year. Individual respondent data are available to the public

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<sup>7</sup> The combined U.S. operations of a FBO include its U.S. branches and agencies and U.S. subsidiaries (other than any section 2(h)(2) company, if applicable).

<sup>8</sup> FBOs subject to subpart O are not required to certify that they have a U.S. risk committee because the Board expects to gain sufficient information through the supervisory process to evaluate whether the U.S. risk committee meets the requirements of this section.

upon request through the appropriate Reserve Bank. Under certain circumstances, however, respondents may request confidential treatment.

All qualifying FBOs file the FR Y-7 annually as of the end of the FBO's fiscal year; the data are due no later than four months after the report date. Individual respondent data are available to the public upon request through the appropriate Reserve Bank. Under certain circumstances, however, respondents may request confidential treatment.

The FR Y-10 is event-generated, and the data are submitted within 30 calendar days of a reportable transaction or event. Individual respondent data are available to the public upon request through the appropriate Reserve Bank. Under certain circumstances, however, respondents may request confidential treatment. Limited data from the FR Y-10 are published on the NIC website. The FR Y-10E is event-generated and the data are submitted on an ad-hoc basis as needed.

## **Legal Status**

The Board's Legal Division has determined that the following statutes authorize the Federal Reserve to require the collections of information:

**FR Y-6:** Section 5(c)(1)(A) of the BHC Act (12 U.S.C. § 1844(c)(1)(A)); sections 8(a) and 13(a) of the IBA (12 U.S.C. §§ 3106(a) and 3108(a)); sections 11(a)(1), 25, and 25A of the FRA (12 U.S.C. §§ 248(a)(1), 602, and 611a); and sections 113, 312, 618, and 809 of the Dodd-Frank Act (12 U.S.C. §§ 5361, 5412, 1850a(c)(1), and 5468(b)(1)), respectively.

**FR Y-7:** Sections 8(a) and 13(a) of the IBA (12 U.S.C. §§ 3106(a) and 3108(a)) and sections 113, 312, 618, and 809 of the Dodd-Frank Act (12 U.S.C. §§ 5361, 5412, 1850a(c)(1), and 5468(b)(1)), respectively.

**FR Y-10 and FR Y-10E:** Sections 4(k) and 5(c)(1)(A) of the BHC Act (12 U.S.C. §§ 1843(k) and 1844(c)(1)(A)); section 8(a) of the IBA (12 U.S.C. § 3106(a)); sections 11(a)(1), 25(7), and 25A of the FRA (12 U.S.C. §§ 248(a)(1), 321, 601, 602, 611a, 615, and 625); and sections 113, 312, 618, and 809 of the Dodd-Frank Act (12 U.S.C. §§ 5361, 5412, 1850a(c)(1), and 5468(b)(1)), respectively.

The obligation to respond is mandatory.

The Board's Legal Division also determined that the data collected in the FR Y-6, FR Y-7, FR Y-10, and FR Y-10E, are not considered confidential. With regard to information that a banking organization may deem confidential, the institution may request confidential treatment of such information under one or more of the exemptions in the Freedom of Information Act (FOIA) (5 U.S.C. § 552). The most likely case for confidential treatment will be based on FOIA exemption 4, which permits an agency to exempt from disclosure "trade secrets and commercial or financial information obtained from a person and privileged and confidential" (5 U.S.C. § 552(b)(4)). To the extent an institution can establish the potential for substantial competitive harm, such information would be protected from disclosure under the standards set forth in

National Parks & Conservation Association v. Morton, 498 F.2d 765 (D.C. Cir. 1974).

Exemption 6 of FOIA might also apply with regard to the respondents' submission of non-public personal information of owners, shareholders, directors, officers and employees of respondents. Exemption 6 covers "personnel and medical files and similar files the disclosure of which would constitute a clearly unwarranted invasion of personal privacy" (5 U.S.C. § 552(b)(6)). All requests for confidential treatment would need to be reviewed on a case-by-case basis and in response to a specific request for disclosure.

The Federal Reserve proposes that the disclosure of the responses to the certification questions may interfere with home-country regulators' administration, execution, and disclosure of their stress-test regime and its results, and may cause substantial competitive harm to the FBO providing the information, and thus this information may be protected from disclosure under FOIA exemption 4.

### **Consultation Outside the Agency**

On December 2, 2015, the Federal Reserve published a notice in the *Federal Register* (80 FR 75457) requesting public comment for 60 days on the extension, with revision, of the FR Y-6, FR Y-7, FR Y-10, and FR Y-10E. The comment period for this notice expires on February 1, 2016.

### **Estimate of Respondent Burden**

As shown in the following table, the current annual reporting burden for the structure report forms and instructions is estimated to be 70,363 hours. The proposed revisions result in a net increase in burden of 122 hours. Board staff believes that the proposed changes to the FR Y-7 would increase the average hours per response for the FR Y-7 report by 30 minutes. These reporting requirements represent less than 1 percent of the total Federal Reserve System paperwork burden.



	<i>Number of respondents<sup>9</sup></i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<b>Current</b>				
FR Y-6	4,814	1	5.50	26,477
FR Y-7	243	1	4	972
FR Y-10 initial	530	1	1	530
FR Y-10 ongoing	5,298	3	2.50	39,735
FR Y-10E	5,298	1	0.50	<u>2,649</u>
<i>Total</i>				70,363
<b>Proposed</b>				
FR Y-6	4,814	1	5.50	26,477
FR Y-7	243	1	4.50	1,094
FR Y-10 initial	530	1	1	530
FR Y-10 ongoing	5,298	3	2.50	39,735
FR Y-10E	5,298	1	0.50	<u>2,649</u>
<i>Total</i>				70,485
<i>Change</i>				122

Based on the proposed revisions the total annual reporting cost to the public for these collections of information is estimated to increase from \$3,641,285 to \$3,647,599.<sup>10</sup>

### Sensitive Questions

These collections of information contain no questions of a sensitive nature, as defined by OMB guidelines.

### Estimate of Cost to the Federal Reserve System

Estimates of cost to the Federal Reserve System will be obtained.

<sup>9</sup> Of these respondents, 3,356 for the FR Y-6; none for the FR Y-7; 3,693 for the FR Y-10; and 3,693 for the FR Y-10E, are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$550 million in total assets) [www.sba.gov/content/small-business-size-standards](http://www.sba.gov/content/small-business-size-standards).

<sup>10</sup> Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$17, 45% Financial Managers at \$63, 15% Lawyers at \$64, and 10% Chief Executives at \$87). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), *Occupational Employment and Wages May 2014*, published March 25, 2015, [www.bls.gov/news.release/ocwage.nr0.htm](http://www.bls.gov/news.release/ocwage.nr0.htm). Occupations are defined using the BLS Occupational Classification System, [www.bls.gov/soc/](http://www.bls.gov/soc/).